

2018 Fourth Quarter Earnings Conference

January 17, 2019

Agenda

- **Welcome** Elizabeth Sun
- **4Q18 Financial Results and 1Q19 Outlook** Lora Ho
- **Key Messages** Lora Ho
- **Q&A** C.C. Wei

Safe Harbor Notice

- TSMC's statements of its current expectations are forward-looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Information as to those factors that could cause actual results to vary can be found in TSMC's Annual Report on Form 20-F filed with the United States Securities and Exchange Commission (the "SEC") on April 19, 2018 and such other documents as TSMC may file with, or submit to, the SEC from time to time.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Statements of Comprehensive Income

Selected Items from Statements of Comprehensive Income

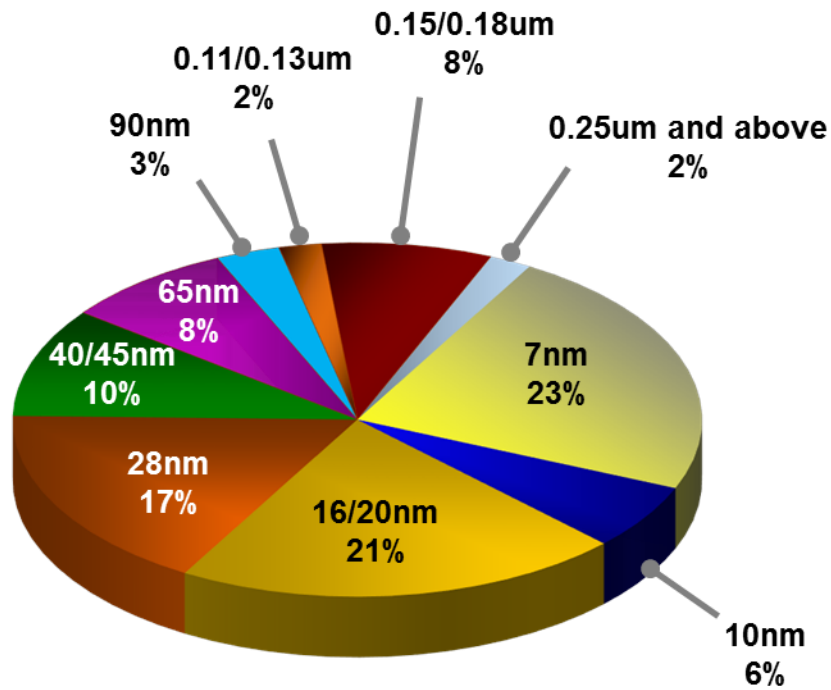
(In NT\$ billions unless otherwise noted)

	4Q18	4Q18 Guidance	3Q18	4Q17	4Q18 over 3Q18	4Q18 over 4Q17
Net Revenue (US\$ billions)	9.40	9.35-9.45	8.49	9.21	+10.7%	+2.0%
Net Revenue	289.77		260.35	277.57	+11.3%	+4.4%
Gross Margin	47.7%	47.0% - 49.0%	47.4%	50.0%	+0.3 ppt	-2.3 ppts
Operating Expenses	(30.85)		(28.13)	(28.84)	+9.7%	+7.0%
Operating Margin	37.0%	36.0% - 38.0%	36.6%	39.2%	+0.4 ppt	-2.2 ppts
Non-Operating Items	3.96		3.65	2.78	+8.4%	+42.4%
Net Income to Shareholders of the Parent Company	99.98		89.07	99.29	+12.3%	+0.7%
Net Profit Margin	34.5%		34.2%	35.8%	+0.3 ppt	-1.3 ppts
EPS (NT Dollar)	3.86		3.44	3.83	+12.3%	+0.7%
ROE	24.6%		23.2%	26.9%	+1.4 ppts	-2.3 ppts
Shipment (Kpcs, 12"-equiv. Wafer)	2,686		2,712	2,699	-1.0%	-0.5%
Average Exchange Rate--USD/NTD	30.83	30.80	30.68	30.13	+0.5%	+2.3%

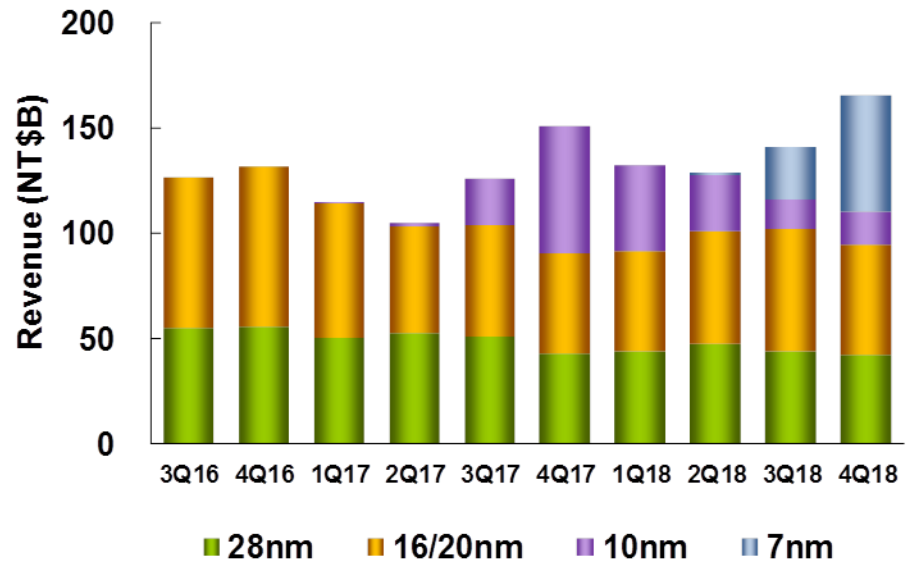
* Diluted weighted average outstanding shares were 25,930mn units in 4Q18.

** ROE figures are annualized based on average equity attributable to shareholders of the parent company.

4Q18 Revenue by Technology

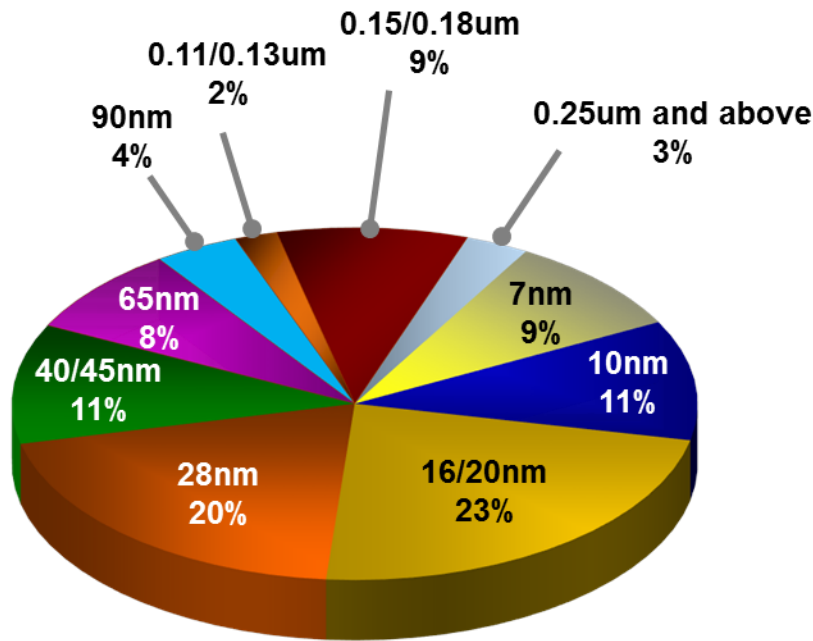


28nm and below revenue

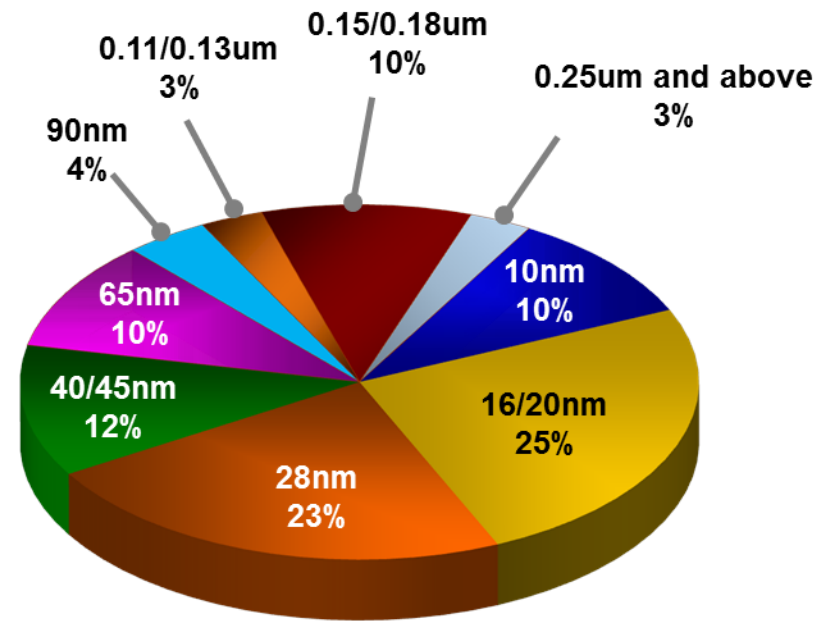


Revenue by Technology

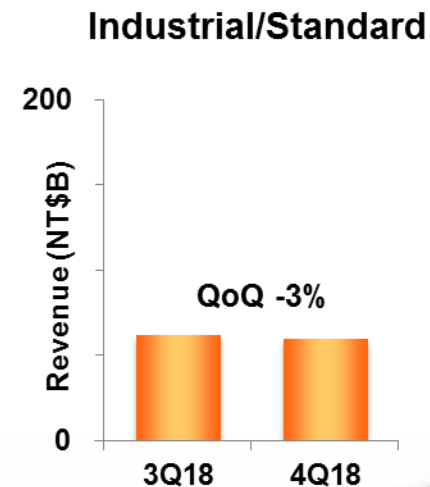
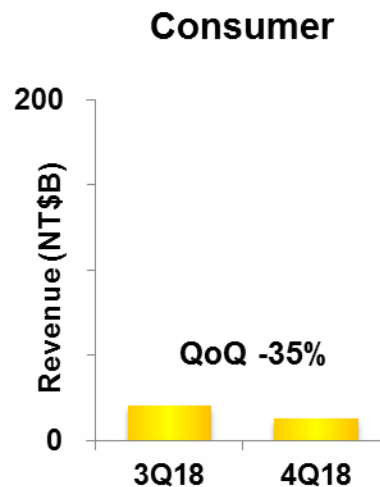
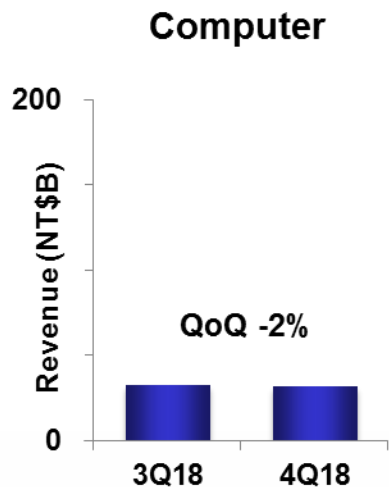
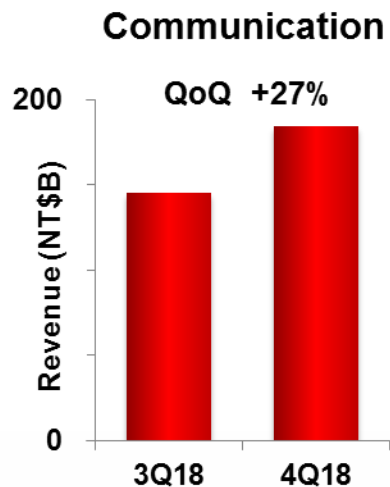
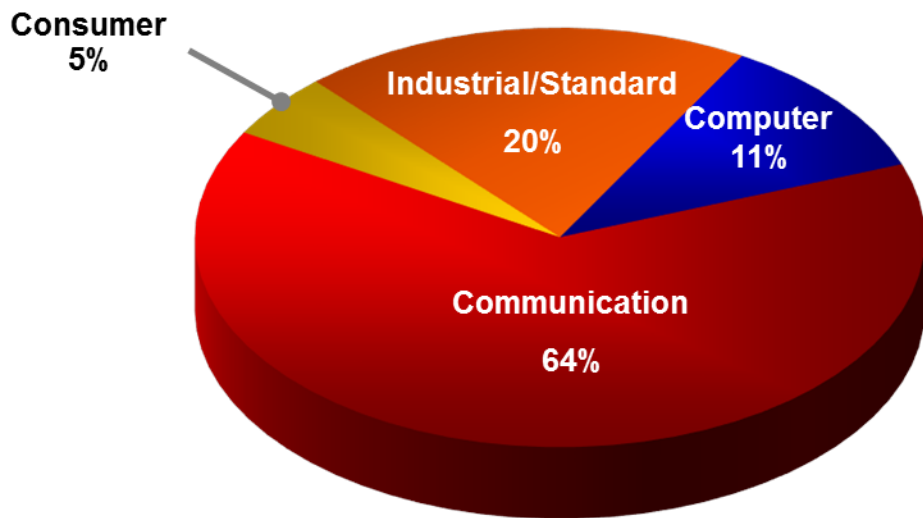
2018



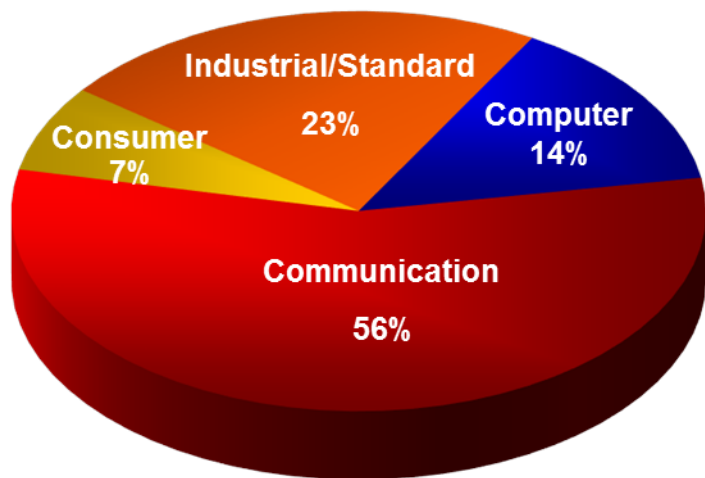
2017



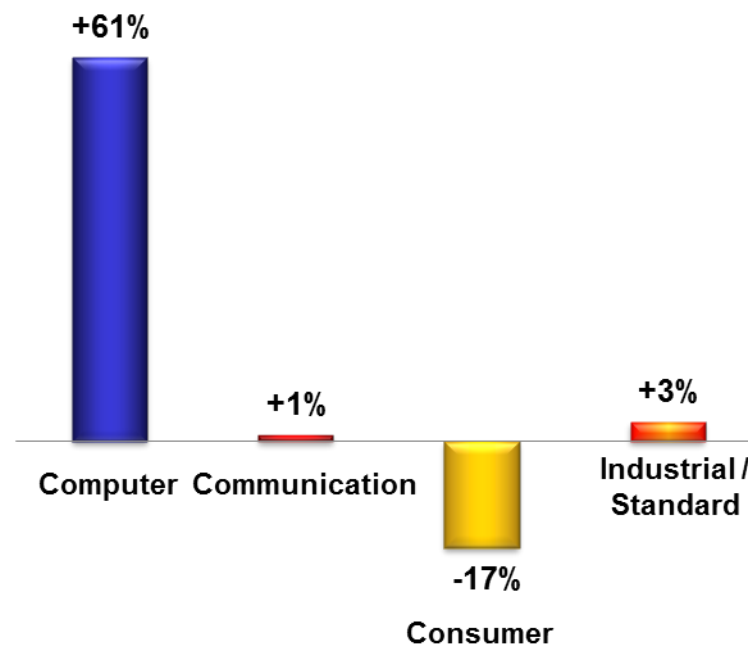
4Q18 Revenue by Application



2018 Revenue by Application



Growth rate by application (YoY)



Balance Sheets & Key Indices

Selected Items from Balance Sheets <i>(In NT\$ billions)</i>	4Q18		3Q18		4Q17	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	695.18	33.2%	604.02	30.7%	649.36	32.6%
Accounts Receivable	129.20	6.2%	129.54	6.6%	122.32	6.1%
Inventories	103.23	4.9%	105.34	5.3%	73.88	3.7%
Long-term Investments	29.31	1.4%	29.80	1.5%	41.57	2.1%
Net PP&E	1,072.05	51.3%	1,048.52	53.2%	1,062.54	53.4%
Total Assets	2,090.13	100.0%	1,969.89	100.0%	1,991.86	100.0%
Current Liabilities	340.54	16.3%	321.63	16.3%	358.71	18.0%
Long-term Interest-bearing Debts	56.90	2.7%	56.90	2.9%	91.80	4.6%
Total Liabilities	412.63	19.7%	394.06	20.0%	469.10	23.6%
Total Shareholders' Equity	1,677.50	80.3%	1,575.83	80.0%	1,522.76	76.4%
Key Indices						
A/R Turnover Days	41		38		40	
Inventory Turnover Days	67		73		52	
Current Ratio (x)	2.8		2.7		2.4	
Asset Productivity (x)	1.1		1.0		1.0	

* Total outstanding shares were 25,930mn units at 12/31/18.

** Asset productivity = Annualized net revenue / Average net PP&E

Cash Flows

<i>(In NT\$ billions)</i>	4Q18	3Q18	4Q17
Beginning Balance	488.73	632.23	408.08
Cash from operating activities	189.37	94.08	204.13
Capital expenditures	(114.10)	(69.95)	(61.18)
Cash dividends	0.00	(207.44)	0.00
Short-term loans	14.30	43.37	10.68
Investments and others	(0.49)	(3.56)	(8.32)
Ending Balance	577.81	488.73	553.39
Free Cash Flow ⁽¹⁾	75.27	24.13	142.95

(1) Free cash flow = Cash from operating activities – Capital expenditures

2018 Financial Highlights

(In NT\$ billions unless otherwise noted)

	2018	2017	YoY
Net Revenue (US\$ billions)	34.20	32.11	+6.5%
Net Revenue	1,031.47	977.45	+5.5%
Gross Margin	48.3%	50.6%	-2.3 pts
Operating Margin	37.2%	39.4%	-2.2 pts
Income before Income Tax	397.51	396.13	+0.3%
EPS - Diluted (NT\$)	13.54	13.23	+2.3%
Operating Cash Flow	573.95	585.32	-1.9%
Capital Expenditures	315.58	330.59	-4.5%
Free Cash Flow (FCF)	258.37	254.73	+1.4%
Cash Dividends	207.44	181.51	+14.3%
Cash & Marketable Securities	695.18	649.36	+7.1%
ROE	22.0%	23.6%	-1.6 pts

1Q19 Guidance

Based on our current business outlook, management expects:

- Revenue to be between US\$ 7.3 billion and US\$ 7.4 billion

And, based on the exchange rate assumption of 1 US dollar to 30.6 NT dollars, management expects:

- Gross profit margin to be between 43% and 45%
- Operating profit margin to be between 31% and 33%

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